

**DIVERSIFICATION STRATEGY AND SERVICE DELIVERY OF LEVEL
FIVE HOSPITALS IN NAIROBI COUNTY, KENYA**

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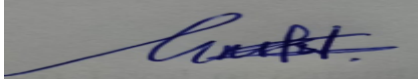
**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
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DECLARATION

This research project is my original work and to the best of my knowledge, it has not been presented for a degree in any other university.

Signature



Date 22/11/2023

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D61/36593/2020

I confirm that the work research project was carried out by the candidate under my supervision as the appointed university supervisor.

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ABBREVIATIONS AND ACRONYMS

DCT Dynamic Capability Theory

SMEs Small and Medium Enterprises

ABSTRACT

The study was set out to provide an investigation of the influence of diversification strategy on service delivery of level five Hospitals in Nairobi County, Kenya. Four aspects of diversification strategy that were covered include horizontal integration strategy, vertical integration strategy, concentric diversification strategy and conglomerate diversification strategy. The adopted research design was descriptive survey and 45 hospitals were covered and census was used. Information in its primary form was gathered through questionnaire and analysis was guided by means and standard deviations as well as regression analysis and presented through tables. The study established that highly adopted diversification strategy among the studied hospitals was horizontal integration strategy (M=3.68) followed by vertical integration strategy (M=3.66), conglomerate diversification strategy (M=3.59) and lastly concentric diversification strategy (M=3.50) and all these had significant effect ($p < 0.05$) on service delivery of level five Hospitals in Nairobi County. The study concludes that diversification strategy has significant influence on service delivery of level. The study recommends that the management team working among level five hospitals in Kenya should improve on their concentric diversification strategy by leveraging existing resources to enter into new markets to provide health care services to large number of patients. Policy makers working among level five hospitals in Kenya should come up with relevant policies to guide diversification practices for effective service delivery.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Diversification strategy allows the firm to effectively meet the needs and demands of the customers translating to superior performance (Morris, Fier & Liebenberg, 2017). It helps the firm to provide a range of products and services in response to market demand forces allowing the organization to attain superior competitive edge (Le, 2019). According to Oladimeji and Udosen (2019), diversification strategy it is one of the response strategies that help organization to counter the turbulences in the environment. Service delivery is an important variable that not only determine viability of the firm but also the ability to enhance customer retention (Martin & Williams, 2019). Service delivery is particularly important in non-manufacturing oriented firms (Masiya, Davids & Mangai, 2019). Infact, service delivery is one of the core values and all employees are expected to fulfill the same (Hout, Wagner & Demena, 2022). Because diversification strategy has the potential to increase the scale of operation of an organization, an additional challenge is created on how best to deliver services that need the needs of the increased customers (Martin & Williams, 2019). Although there exists plenty of literature on diversification strategy, its link with service delivery has remained largely unexplored and thus unclear (Oladimeji & Udosen, 2019).

The dynamic capability theory (DCT) and the service quality theory (SQT) were used to underpin the interplay between diversification and service delivery. Proposed by Teece, Pisano and Shuen (1997), the DCT argues that in response to the ever changing business environment, firms should constantly renew and reconfigure the resources in place so as to respond to changes in the environment. This means that in order for achieve superior service delivery, there is need to renew

and reconfigure the resources and competences which also involve diversification. Developed by Parasuraman, Zeithaml and Berry (1985), the SQT argues that quality is the foundation of any service delivery landscape. This theory highlights dimensions of service quality and their contribution towards service delivery. These dimensions are tangibles, reliability, assurance, empathy and responsiveness. The present study will built on these indicators as measures of service quality. On the other hand,

Level Five Hospitals in Kenya are establishments that are involved in provision of a wide range of health care services to patients. These hospitals play an instrumental role in the economy of a country like Kenya by contributing to improved health outcomes and the overall productivity (Makhamara, 2017). These hospitals also contribute towards creation of employment either directly or indirectly among thousands of Kenyans. However, given the fact that these institutions operate in a host environment that is characterized by high level of competition from other well established private hospitals, quality service delivery should be their main focus in order to survive (Kenya, 2016). According to Runnoh and Wahome (2018), diversification strategy is practiced by both private and publicly established hospitals.

1.1.1 Diversification Strategy

Diversification strategy is the entry of the firm in new lines of business activities (Scur & Queiroz, 2017). It is development strategy at organizational level to enter into an added line of business which differs from the current markets and services (Tien & Ngoc, 2019). Diversification strategy is the enlargement of the operations of the firm resulting into an increase in scale of operation. Thus, diversification strategy aims at introduction of new services or entry into new market segments. Several benefits accrue to a firm that has successfully diversified its operations

(Garrido-Prada, Delgado-Rodriguez & Romero-Jordán, 2019). According to Wibowo and Lasdi (2021), diversification strategy allows firms to increase their market shares which in turn result into increased revenue streams. Oladimeji and Udosen (2019) argued that diversification strategy allow firms to increase the scale of operations which in turn translates to economies of scale. Tien and Ngoc (2019) were of the view that diversification strategy enables the firm to remain competitive in an environment that is turbulent. Diversification strategy also allows the firm to reduce exposure to risks while transferring new knowledge that also covers skills and competences. Therefore, diversification strategy is the expansion of the service line of the firm as well as entry into new markets aimed at generating revenues through an increase in the number of customers (Carter, 2017).

There are a number of measures that are available in literature as far as diversification strategy is concerned. These measures include horizontal, vertical strategy, concentric diversification and conglomerate diversification strategy (Le, 2019). Horizontal integration strategy involves combination of several organizations that offer substitute services from the point of consumers (Schommer, Richter & Karna, 2019). This may be achieved through either mergers as well as alliances. Vertical integration entails establishment of the link in the subsequent stages in provision of the service. Concentric diversification strategy allow the firm to acquire or develop new services (that have close relationship with the core business) so as to enter into one or more newly established markets (Clinton & Salami, 2021). This strategy contributes towards an enlargement in service portfolio of the firm. Conglomerate diversification strategy helps the firm to grow by addition of new services which are significantly different from the present products of the firm. This is a form of unrelated diversification and it may arise from synergy through a set of resources that are in place (Castaldi & Giarratana, 2018). In this study, diversification strategy was measures

by horizontal, vertical strategy, concentric diversification and conglomerate diversification respectively. .

1.1.2 Service Delivery

Service delivery is the provision of a non-physical and intangible activity to a consumer (Mutunga, 2022). Service delivery is the provision of a specific activity to a consumer based on the specified requirements. According to Wavomba and Sikolia (2015), service delivery is the provision of a given assignment within some specified deliverables. Organizations are always motivated to provide quality services in order to retain while attracting new customers (Pallas, Curry, Bashyal, Berman & Bradley, 2012). Provision of quality services is one of the goals and core values in most organization. Firms that provide quality services to customers are assured of remaining sustainable in future (Mazikana, 2019).

There are five key indicators of service delivery that have been widely documented in literature. These include tangibles, reliability, assurance, empathy and responsiveness (Gachie & Iravo, 2016). Tangibles are perceived through touch as well as through the physical evidence. These may include the staff in an organization and the existing infrastructures in an organization. Reliability is the degree which the provider of service is faithful during the delivery of the service (Ikenye, 2021). Assurance is demonstrated when employees showcase their knowledge. Empathy is reflected in the ability of the service provide to consider the problems of the customers and address them in a way that is effective. Responsiveness is the ability of the service provider to resolve the issue of customers timely (Orang'I & Wasike, 2019). The present study measured service delivery using assurance, responsiveness, reliability and empathy.

1.1.3 Level Five Hospitals in Nairobi County

Level five hospitals in Nairobi including a number of public and private establishments having over 100 bed capacity and they are run by a chief executive officer who must be a professional doctor. These institutions are commonly referred to as county referral hospitals. These are institutions are health facilities that are formed by the government to provide reliable and less expensive health services to citizens of the country. The rapid growth of Nairobi as a hub of East Africa has seen a proliferation of different public hospitals in the country (Kenya, 2016). Being the capital city of Kenya and because its high pace of growth, majority of these hospitals have preferred to operate within Nairobi. In Nairobi, these hospitals play a key role in the growth of the economy by complementing the health efforts of the Ministry of Health and other private hospitals. These hospitals play an instrumental role in feeling the gaps in the short fall of the demand of health related services by the people in Kenya. Besides, these hospitals contribute towards creation of employment opportunities to people in the country (Badru & Wainaina, 2018).

Given the fact that these hospitals in Nairobi do operate in an environment that is highly competitive, their survival is hinged on their service delivery landscapes. As such, these hospitals are required to diversify their operations in order to deliver a wider range of services to patients. Media reports have highlighted various a number of negligence, slow response to emergency cases and long queues among other service delivery issues that have dominated most of these public hospitals (Justus, 2022).

1.2 Research Problem

Diversification strategy has been adopted by both private and public organizations in order to deliver a wide range of service to customers (Runnoh & Wahome, 2018). From the theoretical

foundation of dynamic capability theory, organizations operate in a turbulent environment which calls for consistent diversification and renewal in service delivery landscape in order to remain viable (Clinton & Salami, 2021). Service delivery is one of the far reaching goals of organizations operating in a turbulent, but realization of this is hinged on diversification strategy (Masiya, Davids & Mangai, 2019). Customers are always seeking for organizations that wider range of diversified services and products that are of high quality (Martin & Williams, 2019).

Level five hospitals in Nairobi County do operate in an industry that is highly concentrated and very competitive (Tuwei & Ondabu, 2022). Given this high level of competition and the ever increasing dynamics in the health industry, these hospitals are under pressure to prioritize their service delivery landscape in order to remain viable. Failure of these hospitals to deliver quality service services to patients would increase their probability of unviability and possible collapse. The resultant effect in case of collapse of these hospitals would include massive job losses to thousands of people who are employed by these institutions. As such, diversification has been adopted by these public hospitals which include investment/revenue diversification (Runnoh & Wahome, 2018) and service diversification (Lu, Shon & Park, 2022). According to Rohrer (2021), most of the hospitals both private and public around the world are resorted towards diversification in non-inpatient service lines as one of the diversification strategy.

The existing empirical studies from a global perspective include Eastaugh (2014) who focused on diversification strategy in a hospital setting in New York. The study noted institutional diversification is a key predictor of performance of the firm. Gunterman (2012) focused on the health sector in Dutch to explore the nexus between diversification and performance. The study noted that unrelated diversification is positively connected with financial outcomes of the hospital while horizontal diversification was not significant. Eastaugh (2008) did an examination of

diversification within the hospital setting in United States. The study noted that diversification is a yardstick of better performance in an organization.

Locally in Kenya, Nderitu (2016) did an analysis of service quality and the implication on performance of private hospitals with operations in Kenya. The inquiry documented existence of a direct and significant link between service quality indicators (assurance, responsiveness, reliability and empathy) and performance. The study done by Gachie and Iravo (2016) was an analysis of the key issues that determine health care service delivery among developed functions of level 4 hospitals in Kiambu. Th findings showed that funding by the government and social accountability were the key issues that determined health service delivery.

The reviewed studies like Eastaugh (2014) and Gunterman (2012) were conducted in New York and Dutch respectively which are more developed as compared to Kenya. Other studies like Nderitu (2016) focused on performance and not service delivery of the hospitals this creating conceptual gap. Hence, as a way of bridging the said gaps, the following research question was evident: what is the implication of diversification strategy on service delivery of level five Hospitals in Nairobi County, Kenya?

1.3 Research Objective

The link between diversification strategy and service delivery of level five Hospitals in Nairobi County, Kenya was explored in the present inquiry

1.4 Value of the Study

The study would contribute towards understanding of the nexus between diversification and service delivery. The inquiry would be used to extent, support or disagree with the theoretical

foundation of service quality theory and the dynamic capability theory. This would be the basis for further research and the contribution to theoretical knowledge.

The study is expected to help the strategic management practitioners to formulate sound diversification strategies that can enhance service delivery. The strategists working among level five hospitals in Nairobi County would be in position to enhance and modify the existing diversification strategy. All these are likely to contribute towards better service delivery.

The study would help policy makers working in public hospitals to formulate and improve on the existing policies revolving around diversification strategy and service delivery. New policies in the health ministry in Kenya would promote an influx of public hospitals to the country. This would have a positive contribution to the health outcomes of Kenya as a nation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter details literature on the dynamic capability theory and the service quality theory. Past empirical studies are also reviewed while taking into consideration the link between diversification and service delivery.

2.2 Theoretical Review

The DCT and the SQT were used to underpin this study as discussed in the sections below:

2.2.1 Dynamic Capability Theory

Teece et al. (1997) proposed this theory and it calls for an organization to build, renew, reconfigure, recombine, modify and rebuilt the bundle of resources, capabilities and competences whenever variability in the environment is evident. Through this, an organization will be in position to effectively respond to changes in tastes and preferences of the customers thus meeting their needs by offering quality services (Sainsbury, 2020). This theory consider a firm as an entity operating in an ever changing business environment and the best way to remain viable in such an environment is to have a dynamic capability thinking point of view (Liao, Kickul & Ma, 2009). This dynamic capability theory contributes towards an enhancement of the service delivery landscape of the firm through three key factors: strategic paths, resource position of the entity and organizational processes (Denrell & Powell, 2015).

The strategic path factor of this theory includes the existing strategic options in the firm like the need to diversify services to effectively meet the needs of the customers (Muna, Yasa, Ekawati &

Wibawa, 2022). The resource position of the entity on the other hand refers to both tangible and intangible assets on place that a firm should leverage on to implement diversification strategies (Menon & Mohanty, 2008). The organizational process perspective of this theory includes the managerial skills and the learning culture in the organization (Vogel & Güttel, 2013). Thus, dynamic capabilities contribute towards service delivery landscape in the firm by placing much emphasis on strategy related process and seeking to enhance responsiveness to the needs of the customers in an increasingly changing business environment (Ferdinand, Graca, Antonacopoulou & Easterby-Smith, 2004).

However, this theory has been criticized for placing much emphasis that a firm operates in an increasingly turbulent environment. This means that in an increasingly static environment, this theory may not apply (Ortbach, Plattfaut, Poppelbuß & Niehaves, 2012). Firms need to balance between a static and a turbulent environment in order to enhance its capacity to meet the needs of the customers by delivering quality services. Despite this criticism, this theory is found relevant to underpin the variable of diversification. For entities to ensure they can effectively counter environmental variability, they are forced to adopt response strategies where diversification of operations can be one of them. Thus, the theory brought in light how organizations operating in a turbulent environment can leverage their diversification strategies in order to deliver quality services to meet the eve changing needs of the customers.

2.2.2 Service Quality Theory

Parasuraman et al. (1985) proposed this theory and it contributes towards the service quality literature by highlighting six dimensions of service quality: tangibles, reliability, assurance, empathy and responsiveness. Tangibles are things that one can easily touch and feel them including the technologies, employees of the firm, relevant tools and equipment that staff needs to

carry out their duties and other clearly visible facilities in the firm (Ghotbabadi, Feiz & Baharun, 2015). Service providers apply these tangibles in varied ways as they seek to deliver quality services to end consumers. Reliability dimension is a process where the service provider has a high level of faith during the service delivery process (Liu, & Lee, 2016). It helps in assuring customers that the service provider will consistently provide the perceived quality of services. As such, reliability contributes towards strengthening and building of trust among customers and the final impression regarding the service delivery experience (Mosadeghrad, 2014).

Assurance is the process where staff showcases their competences and knowledge when delivering services to customers (Shemwell & Yavas, 1999). Through this, customers gain confidence that the service delivery personnel will be in position to deliver services in an ethical and professional manner (Young, Cunningham & Lee, 1994). Empathy dimension describes a situation where the service delivery personnel pays attention to problems and concerns of the customers at an individual level (Jemmasi, Strong & Taylor, 1994). These results into a situation where the service provider representative is in position to effectively handle the issues and concerns of the customers. Responsiveness dimension require the service providers to have quick response in resolving the problems of the customers in a way that is positive (Prakash & Mohanty, 2013). As a dimension, responsiveness contributes towards minimization of waiting time for the interaction between the provider of services and the customers (Pearson, Tadisina & Griffin, 2012).

This theory has been criticized for limiting service quality to tangibles, reliability, assurance, and empathy and responsiveness dimensions. The critiques argue that there must be additional dimensions aside from the one the theory limits itself that are also important as far as service delivery is concerned (Pearson et al., 2012). Despite this criticism, the present study leveraged the dimensions of this theory in measuring service delivery. More specifically, the study will borrow

assurance, responsiveness, reliability and empathy dimensions to measure service quality as the dependent variable.

2.3 Diversification Strategy and Service Delivery

The study done by Mulyadi (2021) in Indonesia was an analysis of service quality and diversification of products in relation to purchase decisions. Descriptive research design was adopted and the quality of services and product diversification were the predictor while purchase decision was the dependent variables respectively. The organization that was used as appoint of reference was the Graha Sentosa Memorial Park. It was shown that service quality and diversification of products are strong and positive correlates of purchase decisions. Product diversification strategy was found to have greater contribution towards purchase intention as compared to service quality. The conceptual gap created by this inquiry was that it focused on purchase decisions as the dependent variable while service delivery will be covered in the present study.

In Nigeria, Clinton and Salami (2021) undertook a study with focus on diversification strategy and the performance of entities with manufacturing concern. The variables covered by the study include product and geographical diversification. Gathering information with the aid of the questionnaire, a total of 112 respondents were involved. Results showed that diversification strategy had significant implication on performance of the firm. In a study by Tjahjaningsih, Ningsih and Utomo (2020) focused on service quality and diversity of products all linked with the loyalty at customer level in Indonesia. The study utilized a case of Batik Semarangan Craftwork Ltd and in total, 98 customers were sampled and included. This was done purposively. The views of these participants were obtained from first hand sources supported by the survey questionnaires.

It emerged from results that a positive nexus existed between product diversification and service quality in relation to satisfaction of the customers. The contextual gap arising from this inquiry is that it was conducted in Indonesia while the present inquiry will be in Kenyan context.

With a case study approach, Ndung and Wanjira (2019) was interested in bringing out the diversification strategies that had been adopted and their implication towards performance. The variables covered in the study include horizontal, concentric and conglomerate diversification. The study targeted 5 sugar firms owned by the State. The senior section and departmental heads were targeted and included in this study for gathering of information. It was shown that while horizontal diversification and conglomerate diversification concentric diversification showed significance with performance. However, this study focused on performance and not service delivery as the dependent variable thus creating conceptual gap.

Oladimeji and Udosen (2019) did an examination of diversification strategy and its role in driving performance at an organizational level with focus on 31 manufacturing listed entities in Nigeria. While covering a period of 20 years (1997 all through to 2017), with the sample comprising of 6 purposively selected entities, the level of diversification and life-span were considered during selection of the sample. While retrieving information from financials of the respective sampled firms, the analysis showed that diversified firm's performance better as compared to their undiversified counterparts. The conceptual gap created by this study is that it focused on performance which is different from service delivery. Contextually, the study focused on manufacturing entities that different from hospitals which are service oriented.

In Indonesia, Setiaji and Setiadi (2018) did a study whose focus was on diversification strategies and the role they play as far as development of SMEs that engage in dairy milk processing activities

were concerned. The study adopted a case of Salatiga, one of the largest dairy processing firms in the country. In development of the business, the study hypothesized that five diversification dimensions had been adopted by this firm: image, channel, personnel, service and products. This was a qualitative study where results indicated that diversification strategies have contributed towards developing of Stasiun Susu through providing dairy products with different flavors, there were competent and strong leaders in varied fields and the image was strong.

In another study done by Mwangi (2017), the main focus was on diversification strategies and performance of small and medium entities (SMEs) that Youth Fund had financed. The location of the inquiry was in Embakasi and the variables included related diversification, unrelated diversification and firm attributes as moderators. Descriptive longitudinal design was adopted targeting 220 people in managerial positions in the SMEs. It was noted from the gathered and analyzed evidence that related and unrelated diversification was significant enablers of performance at firm level. However, longitudinal design was adopted in this study since many firms were involved unlike the present study that will be cross sectional survey.

2.4 Conceptual Framework

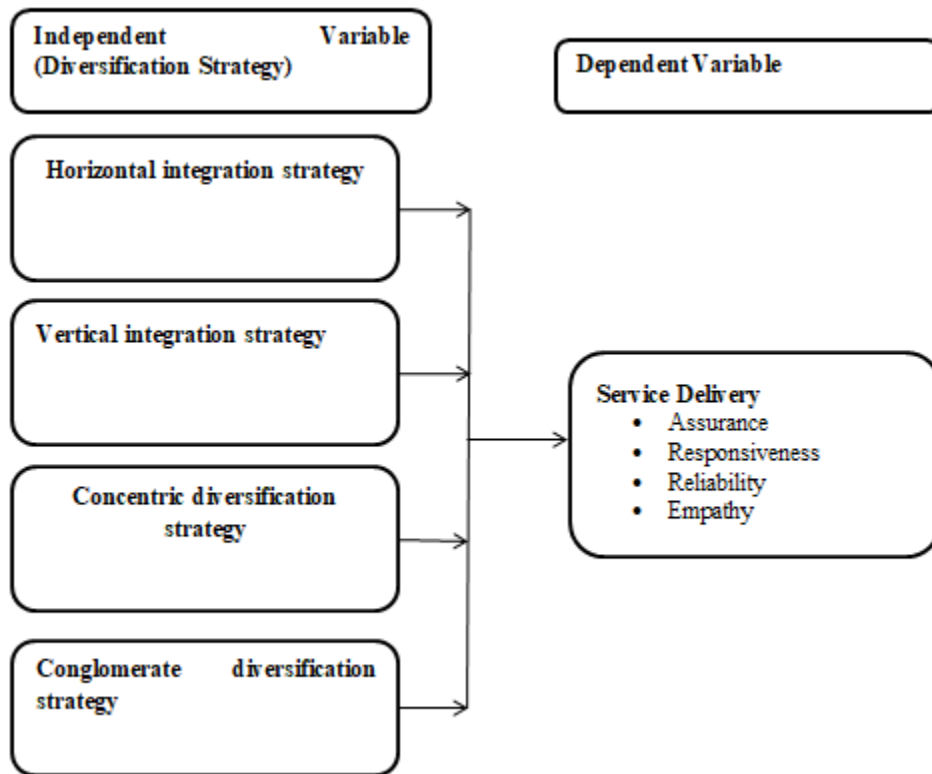


Figure 2.1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The embraced design and targeted participants, sample size determination and gathering of information are outlined in this chapter. The means of analysis and presentation of results are also discussed.

3.2 Research Design

Descriptive survey research design was adopted in this study. This design was useful in giving the actual picture on diversification and service delivery of public hospitals. This design was successfully used by similar empirical studies include Mulyadi (2021) and Mwangi (2017). This design helped to provide responses to questions revolving around what, how, when and why in regard to diversification strategy and service delivery in public hospitals within Nairobi County.

3.3 Target Population

The study targeted 45 level five hospitals in Nairobi (appendix III). The inquiry as took a census approach.

3.4 Data Collection

Information in its first hand form was obtained aided by questionnaire. The choice of selecting upon the questionnaire was because it allowed gathering of huge amount of information from respondents over limited time period. The questionnaire also gave participants an opportunity where they could remain anonymous. The sections on the questionnaire included bio-data in section A, diversification strategy in section B and service delivery in section C. A 5-point Likert scale was critical in design of the questionnaire.

3.5 Data Analysis

SPSS was instrumental during analysis supported by means and standard deviations as well as regression analysis and tables helped in presentation. The model adopted took the form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where Y= Service delivery (as a composite score of assurance, responsiveness, reliability and empathy)

B_0 = Constant

β_1 , β_2 , and β_3 are coefficients

e = error term

X_1 = Horizontal integration strategy

X_2 = Vertical integration strategy

X_3 = Concentric diversification strategy

X_4 = Conglomerate diversification strategy

Tables aided the presentation of evidence

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1 Introduction

The response rate, descriptive and inferential analysis guided by regression are detailed in this chapter.

4.2 Response Rate

Out of the 45 questionnaires that were administered to level five hospitals in Nairobi, 33 were completely filled and recollected for analysis resulting into a response rate of 73.3%. This response was deemed as adequate and supported by Liamputtong (2019).

4.3 Diversification Strategies

The subsequent section provides an analysis of descriptive statistics on the variables of the study guided by means and standard deviations.

4.3.1 Horizontal integration strategy

Table 4.1: Horizontal integration strategy

Statements on Horizontal integration strategy	Mean	Std. Dev
The hospital has diversified into counseling services for patients	3.97	.801
The hospital has adopted horizontal diversification to meet the needs of the patients	3.57	.708
Horizontal integration has allowed your hospital to open more branches into new markets	3.51	.833
Mean score	3.68	0.781

Horizontal integration strategy was practiced as a diversification strategy in the studied hospitals (M=3.68, SD=0.781). The hospitals had diversified into counseling services for patients (M=3.97, SD=0.801). This means that counseling services were available especially among HIV/AIDs patients in the studied hospitals. While the studied hospitals had adopted horizontal diversification to meet the needs of the patients (M=3.57, SD=0.708), horizontal integration had allowed the hospitals to open more branches into new markets (M=3.51, SD=0.833).

4.3.2 Vertical integration strategy

Table 4.2: Vertical integration strategy

Statements on Vertical integration strategy	Mean	Std. Dev
Your hospital has taken up some of the core activities in the supply chain that were previously offered by suppliers	3.72	.674
The hospital has expanded into services that were previously in private hospitals	3.66	.889
The hospital has diversified into intensive care unit services that were previously reserved for private hospitals	3.65	.902
The hospitals has diversified into referral services for patients	3.59	.790
Average	3.66	0.813

Vertical integration strategy (M=3.66, SD=0.813) had been adopted that allowed them to take up some of the core activities in the supply chain that were previously offered by suppliers (M=3.72, SD=0.674). Through vertical integration, it was shown that the studied hospitals had expanded into services that were previously in private hospitals (M=3.66, SD=0.889) by diversifying into intensive care unit services that were previously reserved for private hospitals (M=3.65,

SD=0.902). The study observed that studied the hospitals had diversified into referral services for patients (M=3.59, SD=0.790).

4.3.3 Concentric diversification strategy

Table 4.3: Concentric diversification strategy

Statements on Concentric diversification strategy	Mean	Std. Dev
Concentric diversification is used as a growth strategy in your hospital	3.56	.636
Over the years, this hospital has diversified into additional health care services that were not initially in place	3.57	.789
The hospital has leveraged its existing resources to enter into new markets	3.36	.728
Average	3.50	0.718

It is apparent from Table 4.3 that concentric diversification strategy had been embraced to some extent in the studied hospitals (M=3.50, SD=0.718) largely through diversification into additional health care services that were not initially in place (M=3.57, SD=0.789). The same strategy was used as a growth strategy in the studied hospitals (M=3.56, SD=0.636). However, respondents moderately rated the statement on whether the hospital had leveraged its existing resources to enter into new markets (M=3.36, SD=0.728).

4.3.4 Conglomerate diversification strategy

Consider Table 4.4.

Table 4.4: Conglomerate diversification strategy

Statements on Conglomerate diversification strategy	Mean	Std. Dev
The hospital has entered into partnership with other health facilities to improve service delivery	3.69	.847
The hospital has entered partnership with other organizations that are not necessarily specializing on health service delivery	3.55	.602
Strategic alliances between these hospitals and other organizations has improved the level of service delivery	3.53	.889
Average	3.59	0.779

Among the studied hospitals, conglomerate diversification strategy was in place (M=3.59, SD=0.779). Through this strategy, the studied hospital had entered into partnership with other health facilities to improve service delivery (M=3.69, SD=0.847) and that the hospital had entered into partnership with other organizations that were not necessarily specializing on health service delivery (M=3.55, SD=0.602). The study noted that strategic alliances between these hospitals and other organizations had improved the level of service delivery (M=3.53, SD=0.889).

4.3.5 Ranking of Diversification Strategy

Table 4.5 is a breakdown of the ranking on diversification strategy based on values of averages across each of the variables as earlier analyzed in tables 4.1-4.4 above.

Table 4.5: Ranking of Diversification Strategy

Average	Rank
----------------	-------------

Horizontal integration strategy	3.68	1
Vertical integration strategy	3.66	2
Conglomerate diversification strategy	3.59	3
Concentric diversification strategy	3.50	4

The highly adopted diversification strategy among the studied hospitals was horizontal integration strategy (M=3.68) followed by vertical integration strategy (M=3.66), conglomerate diversification strategy (M=3.59) and lastly concentric diversification strategy (M=3.50).

4.4 Service Delivery

Table 4.6: Service Delivery

Assurance	Mean	Std. Dev
The hospital showcases its competences when delivering services to patients	3.57	.865
The hospital demonstrates its knowledge when providing services to patients	3.69	.975
The hospital delivers services to patients in an ethical manner	3.63	.689
Responsiveness	Mean	Std. Dev
The hospital responds quickly to emergencies	3.61	.780
This hospital quickly responds to concerns raised by patients	3.59	.672
The waiting time by patients in this hospital has been minimized	3.69	.748
Reliability	Mean	Std. Dev
Patients have faith in services delivered to patients in this hospital	3.67	.759
Reliability allows this hospital to build trust with patients	3.73	.653
This hospital can avail its services whenever it is needed	3.71	.793
Empathy	Mean	Std. Dev
This hospital closely pay attention to the problems raised by patients	3.57	.783
This hospital empathizes with concerns of the patients at an individual level	3.63	.761
The hospital goes an extra mile to help patients who are unable to pay	3.70	.650

The hospitals demonstrated its knowledge when providing services to patients (M=3.69, SD=0.975), services were to patients in an ethical manner (M=3.63, SD=0.689) and that the

hospital showcased its competences when delivering services to patients (M=3.57, SD=0.865). In view of responsiveness, it emerged that waiting time by patients in this hospital had been minimized (M=3.69, SD=0.748), the hospital responded quickly to emergencies (M=3.61, SD=0.780) besides quickly responds to concerns raised by patients (M=3.59, SD=0.672). With regard to reliability, it emerged that the same allowed the studied hospitals to build trust with patients (M=3.73, SD=0.653), the hospital could avail its services whenever they were needed (M=3.71, SD=0.793) and that patients had faith in services delivered to patients in the hospital (M=3.67, SD=0.759). As to empathy, the study established that the hospital went an extra mile to help patients who were unable to pay (M=3.70, SD=0.650), it empathized with concerns of the patients at an individual level (M=3.63, SD=0.761) besides closely paying attention to the problems raised by patients (M=3.57, SD=0.783).

4.5 Regression Results

In order to generate appropriate inferences regarding the link between study variables, regression analysis was conducted.

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.730 ^a	.533	.466	2.26108

53.3% change in service delivery of level five Hospitals in Nairobi County, Kenya is explained by diversification strategy. Hence, there are other issues aside from diversification that have an implication on service delivery among these hospitals that future studies should focus on to bring out. Table 4.8 is a breakdown of the ANOVA findings.

Table 4.8: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	163.396	4	40.849	7.990	.000 ^a
Residual	143.149	28	5.112		
Total	306.545	32			

From Table 4.8, it can be inferred that the overall regression model adopted in this study was significant (F=7.990, P<0.05). Table 4.9 is a summary of the coefficients and significance determined through p-values.

Table 4.9: Coefficients and Significance

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	18.316	5.101		3.591	.001
Horizontal integration strategy	.176	.084	.080	2.095	.029
Vertical integration strategy	.745	.273	.376	2.729	.011
Concentric diversification strategy	.320	.079	.494	4.051	.012
Conglomerate diversification strategy	.482	.074	.047	6.514	.016

The following is fitted from the findings in Table 4.9:

$$Y=18.316+ 0.176X_1+0.745X_2+0.320X_3 +0.482X_4$$

Where Y= Service delivery (as a composite score of assurance, responsiveness, reliability and empathy)

X_1 = Horizontal integration strategy

X_2 = Vertical integration strategy

X_3 = Concentric diversification strategy

X_4 = Conglomerate diversification strategy

It then follows that horizontal integration strategy ($\beta=0.176$, $p<0.05$), vertical integration strategy ($\beta=0.745$, $p<0.05$), concentric diversification strategy ($\beta=0.320$, $p<0.05$) and conglomerate diversification strategy ($\beta=0.482$, $p<0.05$) were all established as significant predictors of service delivery of level five Hospitals in Nairobi County, Kenya. Thus, the study inferred that diversification strategy has significant implication on service delivery of level five Hospitals in Nairobi County, Kenya.

4.6 Discussion of Results

Level five Hospitals in Nairobi County, Kenya have adopted diversification strategy. The highly adopted diversification strategy among the studied hospitals was horizontal integration strategy followed by vertical integration strategy, conglomerate diversification strategy and lastly concentric diversification strategy. The finding agrees with Le (2019) who noted that diversification strategy entails horizontal integration strategy, vertical integration strategy, concentric diversification strategy and conglomerate diversification strategy.

Diversification strategy has significant implication on service delivery of level five Hospitals in Nairobi County, Kenya. The finding agrees with Mulyadi (2021) who established that service quality and diversification of products are strong and positive correlates of purchase decisions. Clinton and Salami (2021) showed that diversification strategy had significant implication on performance of the firm. Tjahjaningsih, Ningsih and Utomo (2020) established that a positive nexus existed between product diversification and service quality in relation to satisfaction of the

customers. Ndung and Wanjira (2019) established that while horizontal diversification and conglomerate diversification concentric diversification showed significance with performance. Oladimeji and Udosen (2019) showed that diversified firm's performance better as compared to their undiversified counterparts. Setiaji and Setiadi (2018) indicated that diversification strategies have contributed towards developing of Stasiun Susu through providing dairy products with different flavors, there were competent and strong leaders in varied fields and the image was strong. Mwangi (2017) noted from the gathered and analyzed evidence that related and unrelated diversification was significant enablers of performance at firm level.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Summarization and conclusion of results from analysis is detailed in this chapter. Recommendations, limitations and areas that require further research are also pointed out.

5.2 Summary of the Findings

The study was set out to provide an investigation of the influence of diversification strategy on service delivery of level five Hospitals in Nairobi County, Kenya. Results from descriptive statistics were that the highly adopted diversification strategy among the studied hospitals was horizontal integration strategy followed by vertical integration strategy, conglomerate diversification strategy and lastly concentric diversification strategy. Regression analysis showed that horizontal integration strategy positively enhances service delivery. At the same time, investment in vertical integration strategy can significantly contribute towards improved service delivery. A firm that seeks to improve on its service delivery should have in place concentric diversification strategy and conglomerate diversification strategies.

5.3 Conclusion of the Study

Level five Hospitals in Nairobi County, Kenya have adopted diversification strategy. The highly adopted diversification strategy among the studied hospitals was horizontal integration strategy followed by vertical integration strategy, conglomerate diversification strategy and lastly concentric diversification strategy. While horizontal integration strategy allowed the studied hospital to diversify into counseling services for patients, vertical integration strategy allowed them to take up some of the core activities in the supply chain that were previously offered by

suppliers. While concentric diversification strategy allowed the studied hospitals top diversify into additional health care services that were not initially in place and conglomerate diversification strategy allowed the studied hospital had entered into partnership with other health facilities to improve service delivery.

Effective service delivery is strongly hinged on diversification strategy. Thus, adopting diversification strategy allow an organization to provide quality services to customers. This is in line with the dynamic capability that requires firms to diversify as they build, renew, reconfigure, recombine, modify and rebuilt the bundle of resources, capabilities and competences owing to environmental variability. Provision of quality services to customers is critical in driving overall sustainability of the firm. In order to provide quality services, hospitals need to comprehend desires of clients. .

5.4 Recommendations of the Study

The management team working among level five hospitals in Kenya should improve on their concentric diversification strategy by leveraging existing resources to enter into new markets to provide health care services to large number of patients. By leveraging horizontal diversification strategy, the management working in Level five hospitals in Kenya should seek to open more branches into new markets. Management team working other hospitals levels in Kenya should emulate level five hospitals in adoption of diversification as the same has potential of positively influencing and enhancing their service delivery landscapes.

Policy makers working among level five hospitals in Kenya should come up with relevant policies to guide diversification practices for effective service delivery. Policy makers in the Ministry of Health in Kenya need to develop relevant policies and regulations that can promote diversification

and this has been proofed to have significant implication on service delivery. Having in place right and clear policies in regard to diversification would boost overall robustness of the entire health sector.

The practitioners in the health care sector in Kenya should understand the need to invest in diversification strategy. This is because doing so has potential of improving service delivery.. This would in turn contribute towards overall robustness and viability of the entire health sector in Kenya.

5.5 Limitations of the Study

The study was limited to 45 level five hospitals in Nairobi. This presents a limitation as carrying out related studies with other categories of hospitals away from level five may give inconsistent results. The study was limited to two theories; dynamic capability theory and service quality theory.

Participants in the inquiry were so much held up with their daily undertakings creating impossibility of obtaining information in a day. In overcoming the same limitation, questionnaire was administered to respondents and then collected at a later date. This provided a good opportunity for respondents to share their relevant information which aided in processing the same information resulting into this report.

5.6 Suggestions for Further Research

The main focus and specific context which this present study was done was among hospitals. More specifically, the study focused on five Hospitals in Nairobi County, Kenya. Hence other contexts like the financial sector need emphasis by future nquiries. This would provide an opportunity for comparison of findings across different sectors of the economy. Besides, aside from focusing on

Kenya's hospitals, the focus of future studies should be on covering hospitals across the entire east Africa region.

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APPENDICES

Appendix I: Letter of Introduction



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Our Ref: **D61/36593/2020**
April 24, 2023
National Commission for Science, Technology and Innovation
NACOSTI Headquarters
Upper Kabeta, Off Waiyaki Way
P. O. Box 30623- 00100
NAIROBI

RE: INTRODUCTION LETTER: GLORIOUS MWENDE JOHN

The above named is a registered Masters in Business Administration candidate at the University of Nairobi, Faculty of Business and Management Sciences. She is conducting research on "*Diversification strategy and service delivery of level five hospitals in Nairobi County, Kenya.*"

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data which forms an integral part of the Project.

The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence**.

Your co-operation will be highly appreciated.




PROF. JAMES NJIHIA
DEAN, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES

Appendix II: Questionnaire

SECTION A: ORGANIZATIONAL DATA

1. Kindly indicate the number of years your hospital has been in operation

Less than 5 years ()

6-10 years ()

11-15 years ()

16-20 years ()

Over 21 years ()

2. Kindly indicate the average number of staff in your hospital

Less than 50 ()

51-100 ()

101-150 ()

Over 151 ()

3. Kindly indicate the average bed capacity of your hospital

Less than 150 ()

151-250 ()

251-350 ()

Over 351 ()

SECTION B: DIVERSIFICATION STRATEGY

4. Given below are statements on diversification strategy. Kindly indicate the extent of your agreement with these statements using a scale of 1-5 where 1-strongly disagree, 2-disagree, 3-undecided, 4-agree and 5-strongly agree.

ⓧ

Statements on Horizontal integration strategy	1	2	3	4	5
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The hospital has diversified into counseling services for patients	1	2	3	4	5
The hospital has adopted horizontal diversification to meet the needs of the patients	1	2	3	4	5
Horizontal integration has allowed your hospital to open more branches into new markets	1	2	3	4	5
Statements on Vertical integration strategy	1	2	3	4	5
Your hospital has taken up some of the core activities in the supply chain that were previously offered by suppliers	1	2	3	4	5
The hospital has expanded into services that were previously in private hospitals	1	2	3	4	5
The hospital has diversified into intensive care unit services that were previously reserved for private hospitals	1	2	3	4	5
The hospitals has diversified into referral services for patients	1	2	3	4	5
Statements on Concentric diversification strategy	1	2	3	4	5
Concentric diversification is used as a growth strategy in your hospital	1	2	3	4	
Over the years, this hospital has diversified into additional health care services that were not initially in place	1	2	3	4	
The hospital has leveraged its existing resources to enter into new markets	1	2	3	4	
Statements on Conglomerate diversification strategy	1	2	3	4	5
The hospital has entered into partnership with other health facilities to improve service delivery	1	2	3	4	5
The hospital has entered partnership with other organizations that are not necessarily specializing on health service delivery	1	2	3	4	5

Strategic alliances between these hospitals and other organizations has improved the level of service delivery	1	2	3	4	5
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SECTION C: SERVICE DELIVERY

5. Given below are statements on service delivery. Kindly indicate the extent of your agreement with these statements using a scale of 1-5 where 1-strongly disagree, 2-disagree, 3-undecided, 4-agree and 5-strongly agree.

	1	2	3	4	5
ASSURANCE					
The hospital showcases its competences when delivering services to patients	1	2	3	4	5
The hospital demonstrates its knowledge when providing services to patients	1	2	3	4	5
The hospital delivers services to patients in an ethical manner	1	2	3	4	5
RESPONSIVENESS					
The hospital responds quickly to emergencies	1	2	3	4	5
This hospital quickly responds to concerns raised by patients	1	2	3	4	5
The waiting time by patients in this hospital has been minimized	1	2	3	4	5
RELIABILITY					
Patients have faith in services delivered to patients in this hospital	1	2	3	4	5
Reliability allows this hospital to build trust with patients	1	2	3	4	5
This hospital can avail its services whenever it is needed	1	2	3	4	5
EMPATHY					
This hospital closely pay attention to the problems raised by patients	1	2	3	4	5
This hospital empathizes with concerns of the patients at an individual level	1	2	3	4	5
The hospital goes an extra mile to help patients who are unable to pay	1	2	3	4	5

THANK YOU

Appendix III: List of Level Five Hospitals in Nairobi County

1. AAR Hospital
2. Armed Forces Memorial Hospital
3. Avenue Hospital
4. Bristol Park Hospital
5. Chiromo Hospital Group – Muthangari
6. Chiromo Lane Medical Centre
7. Coptic Hospital Nursing Hospital
8. Familycare Medical Centre
9. Gertrude's Children's Hospital
10. Guru Nanak Ramgarhia Sikh Hospital
11. Jamaa Hospital R
12. Kenyatta National Hospital
13. Komarock Modern Healthcare – Utawala
14. M P Shah Hospital
15. Madima Nursing Home
16. Mama Lucy Kibaki Hospital
17. Mama Margaret Kenyatta Children Hospital
18. Mariakani Cottage Hospital
19. Masaba Hospital
20. Mater Misericordiae Hospital
21. Mathare Teaching and Referral Hospital
22. Mbagathi County Referral Hospital
23. Mediheal Hospital Eastleigh
24. Melchizedek Hospital
25. Metropolitan Hospital, Nairobi
26. Mother And Child Hospital
27. Nairobi East Hospital
28. Nairobi Equator Hospital
29. Nairobi Equator Hospital
30. Nairobi Hospice KNH
31. Nairobi Hospital
32. Nairobi South Hospital
33. Nairobi West Hospital
34. Nairobi Women's Hospital
35. National Spinal Injury Referral Hospital
36. New Langata Medical Centre
37. Parklands Ambulatory Surgical Centre
38. Radiant Hospital Nairobi
39. South B Hospital
40. St Francis Community Hospital Kasarau
41. St Marys Mission Hospital
42. The Aga Khan University Hospital
43. The Brain, Spine & Rehabilitation Hospital (BSR)
44. The Karen Hospital
45. Westlands Health Centre

Source: Ministry of Health (2022)